

# THE NAVIGATOR

WESTSHORE'S MONTHLY NORTH SEA REPORT  
September 2014 Issue: 37

## AHTS Spot Market Takes Off

A look at the recent surge in rates and what the future holds

## Scotland Decides

Thoughts from an oil industry perspective on the independence vote

## How Attractive is Norway?

Can the country keep drawing investment to its oil industry?



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The Ocean Art's new paint job at ONS - picture Atlantic Offshore

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# Headline News



The Rem Gambler secured a charter at a dayrate of NOK 1,900,000

## The AHTS Spot Market Takes Off

**T**his month has seen the North Sea AHTS fleet take centre stage as headline dayrates of around two Million NOK have caught the attention of everyone involved in the market. However, it is important to put this surge in context and look at some of the reasons behind why the market has moved now and where it might go in the future.

Behind this brief peak lies a sustained period of suffering for shipowners many of whom have been

chartering their vessels out at loss-making dayrates for the majority of the year. In fact, even those who have been fortunate enough to have caught the crest of the wave in contract awards this time around are not celebrating quite yet as they are still seeking to hit the breakeven point for the year. It would take another month at least of prolonged high levels to rescue what has been a relatively low-key year so far for them.

Whilst we can expect further peaks in the North Sea AHTS spot market before the end of the year there



North Sea rig activity remains strong

are no guarantees. The available fleet, the weather, the timing of rig move requirements, increasing prelay activity, fewer vessels being used per rig and increasing efficiency are only a few factors in an environment with so many variables that can either make or break a vessel's earnings. It is this volatility that appears to be one of the key factors in dissuading many from making the investment in newbuild AHTS vessels.

The strong argument is the price-tag of building such technologically complex tonnage. The stresses and strains on modern AHTS vessels are significant and those seeking to secure some of the more lucrative worksopes have to ensure they can compete at the top level which comes at a hefty price. Furthermore with a little more investment of a few more million dollars, a newbuild subsea vessel could be bought instead. These subsea vessels can then be targeted at secure multi-year contracts few of which exist in the AHTS sector.

Naturally with so few owners choosing to build new tonnage and an increase in global demand for top-tier AHTS vessels we will see the fleet increasingly stretched in the coming years. Brazil, Australia, and Russia have all been seeking out these vessels and will continue to do so going forwards leaving few working the spot market in Norway in the summer 'project-work' period. The UK is a slightly different

story and has found its fleet supplemented by owners bringing tonnage in from other markets particularly Southeast Asia in the hope of securing work.

Rig activity levels have been similar to previous years and in the short term the weather is one of the other key factors in the determination of the volatility of the market. After a peculiarly difficult winter period offshore when some rig moves were delayed by a matter of weeks we have experienced an unusually benign summer.

**“As we move into the period of changeable offshore conditions it will not take much to trigger the market again.”**

Offshore work has been running ahead of schedule in the past few weeks and there has been a dramatic reduction in the amount of times rigs have been waiting on weather.

During various discussions with shipowners few could remember a time when so little vessel time had been lost of offshore during the summer.

The supply of top-end spot AHTS vessels remains tight particularly on the Norwegian side with so many away on term-work. This looks set to continue for the next few weeks. It has been surprising that overlapping demand from charterers and the turbulent North Sea weather have not conspired earlier to force dayrates up. However, as availability remains tight and we move into the period of changeable offshore conditions it will not take much to trigger the market once again. ■

# In & Out

## AHTS Vessels

Vessel	Design	Manager	ENTRY	From
Normand Jarl	UT 712	Solstad Shipping	Early-Oct	Russia
Island Vanguard	UT 787 LCD	Island Offshore	Early-Oct	KD Marine
Vessel	Design	Manager	EXIT	To
Stril Challenger	Havyard842	Simon Møkster	Mid-Sept	Gazprom

## PSVs

Vessel	Design	Manager	ENTRY	From
Maersk Fetcher	UT 745	Maersk Supply	End-Aug	Galp Morocco
North Truck	UT-705	Gulf Offshore	End-Aug	ConocoPhillips
Toisa Invincible	VS 483	Sealion Shipping	Mid-Sept	Team
SBS Tempest	VS 470 MK II	Viking Supply	Mid-Sept	In-house
SBS Typhoon	VS 470 MK II	Viking Supply	Mid-Sept	Enquest
Troms Artemis	VS 485 CD	Troms Offshore	Mid-Sept	Statoil
Skandi Buchan	MT 6000	DOF	Mid-Sept	Total
Olympic Orion	MT 6015	Olympic	Mid-Sept	BP
Vessel	Design	Manager	EXIT	To
Sea Supra	PX 105	Deep Sea Supply	Mid-Aug	TBA Libya
Island Dragon	UT 717 CD	Island Offshore	End-Aug	Lundin
Far Seeker	UT 751 E	Farstad	End-Aug	Inpex Australia
FS Pegasus	UT 745	Fletcher Shipping	End-Aug	Premier Oil
Rem Commander	VS 485 MK II	Rem Maritime	Mid-Sept	MLS
FD Incomparable	UT 755 L	Gulf Offshore	Early-Sept	CNR
Far Superior	UT 705 L	Farstad	Mid-Sept	ADTI

# Drilling & Production

## North Sea Activity

**M**aersk Drilling has taken delivery of the second Maersk XL Enhanced jack-up rig which will be mobilised from Singapore to Norway. Once the rig arrives it will have a naming ceremony in October before commencing a five-year contract with Det norske oljeselskap ASA (Det norske). Det norske has options to extend the contract up to a total of seven years. The rig will be working on the Ivar Aasen field.

Statoil has applied to drill a further wildcat well in the Norwegian Barents Sea in October using the Transocean Spitsbergen. The drill will target the Saturn prospect with a secondary target in the Kobe structure. The operator also holds further options to drill a pair of sidetrack wells.

Heerema Marine Contractors and AF Gruppen have jointly secured a contract for the decommissioning of the Murchison platform in the UK North Sea. The contract with CNR covers engineering, preparation, removal and disposal of the platform. The work is set to commence in 2016 and be completed in 2020.

In its latest market report Wood Mackenzie has estimated that Norway has around 10 billion barrels of oil equivalent of discovered natural resources yet to be developed. However, the company indicates that only around 60% of it is economically viable due to technical and commercial challenges involved. Despite this the overall sentiment is that Norway has a strong pipeline of future developments.

Statoil briefly shutdown production at its Sleipner A platform after a gas alarm. However, the problem





The Polarcus Nadia has completed 3D seismic operations off the Shetland Islands

quickly located and the workers remained on the rig.

Rosneft has had its first experience of exploration offshore Norway at the Pingvin prospect in the Barents Sea. The well is being drilled by Statoil using the Transocean Spitsbergen with Rosneft, North Energy and Edison International as partners.

Diamond Offshore has reported that it is facing “extensive near term availability” in its rig fleet. The company has secured a number of international charters including work in Australia and Mexico however it is currently looking for charters for a number of units including the Ocean Vanguard which is currently available in the North sea after coming off its contract with Statoil early.

Songa Offshore has said it expects the Norwegian rig market to begin to improve in the second half of 2015 due to lower supply. According to the company “as a

**“Songa Offshore expects the Norwegian rig market to improve in the second half of 2015 due to lower supply.”**

result of the dampened activity, there are several rigs expected to exit the NCS (Norwegian continental shelf) in the near future. Songa Offshore expects an improved NCS market from the second half of 2015 and into 2016 as a result of low net fleet growth with already several known new rig requirements in the market.”

The Norwegian Petroleum Directorate has granted Lundin Petroleum a permit for a wildcat well in the Norwegian Sea that will be targeting the Lindarømen prospect. The company is expected to use the Bredford Dolphin for the drilling work in September.

Polarcus has recently completed a two-month 3D seismic operation off the Shetland Islands. The Polarcus Nadia was towing a 12-streamer spread during the programme which was carried out for TGS-NOPEC.

Premier Oil has said it may upgrade 2014 production figures once summer maintenance is completed. ■

# Vessel News

## Including Newbuilds & Subsea

**F**arstad has welcomed the newbuild PSV Far Sygna to its fleet. The Vard 1 07 designed vessel has been delivered from Vung Tau in Vietnam and is set to arrive in Norway at the end of September when it will commence its long-term commitment to Statoil for a firm period of six years and three, one year options.

Otto has ordered four PX121 designed PSVs from Ulstein design and Wuchang Shipbuilding in China. The contract, which also includes options for a further four vessels, will see the deliveries made in 2016. As well as the 840 m<sup>2</sup> deck, X-Bow and clean design notation the vessels will also be prepared for an offshore crane and mezzanine deck for ROV.

The Toisa Valiant has departed the North Sea to travel to Rio de Janeiro in Brazil to commence a term contract with Petrobras. The 2005-built PSV had previously been carrying out windfarm support work for various charterers in Germany including RWE.

The Energy Insula has commenced a six week term contract with ConocoPhillips UK and is expected to remain with the charterer until late September although there are also additional options. The Golden Energy Offshore VS 485 MK III designed PSV has recently completed a term charter with Satoil.

The NSO Spirit is currently in warm layup in Haugesund. The 1983-built PSV which is operated by COG Offshore has quite often been the only vessel on the Norwegian spot market however she has no DP and a deck area of around 630m<sup>2</sup> and has so far not secured work there.





Ulstein's new X-Stern designed to improve station keeping in harsh conditions.

Ulstein has introduced its latest design concept the X-Stern. This new vessel feature is designed to improve station keeping in harsh conditions and reduce power and fuel consumption whilst operating on DP. Ulstein describes the X-Stern as “a sloping and higher stern allowing for a sharp stern shape in which the transom plate is replaced by a pointed aft.”

The Troms Castor is due to commence a long term charter with MLS from the end of August. The VS-485 CD designed PSV, which has been working on the spot market for Statoil and other clients. has a deck area of 1005m<sup>2</sup>.

The newbuild VS 485 MK III designed PSV Ocean Art has been delivered and named. The vessel which was built at Kleven Myklebust underwent an artistic overhaul courtesy of artist M-City at ONS and will now commence a six year contract with Statoil with options for a further three years.

### “Maersk Supply Service is to get four MT-6027 designed Subsea support vessels delivered in 2016 & 2017”

The newbuild PX 105 designed PSV Sea Supra has been fixed on a term contract offshore Libya. The vessel, which is managed by Deep Sea Supply, was delivered from Sinopacific Zhejiang Shipyard in China in June. The current charter is expected to last for around 140 days firm plus further options for up to a month.

The AHTS vessel Havila Venus has returned to the North Sea after completing a charter for KKC in Canada. The vessel had been working there on Exxon-Mobil's Hebron project. The 2009-built Havyard 845 designed vessel has since been fixed for D/D 21 all duties plus WROV with ConocoPhillips UK.

Maersk Supply Service is to get four new MT 6027 designed subsea support vessels from Marin Teknisk. The vessels are set to be delivered in late 2016 and 2017. They will be built at Cosco Dalian Shipyards and will be equipped with DP3 and a 400t AHC crane and optional carousel.

# Inside Story



Scotland is set to go to the polls on September the 18th

## Scotland Decides

**T**he debate is almost over, the postal votes have been sent and now the world awaits the outcome of the Scottish vote on whether it will leave the UK. It has been a heated few weeks and for the oil industry a painful few months with many decisions put on hold until the outcome is known.

But on the morning of September 19th the choice to remain part of the UK or branch out alone will be known. The classic political phrase of it's "the economy, stupid" has never been more apt with the economics of a potentially independent Scotland being the

pivotal issue around which many voters have swayed. Oil is at the heart of this debate and the notion that Scotland could reinvent itself as a 'new-Norway' has been the rallying cry for the Scottish National Party which is hoping to tempt voters to separate the country from the UK.

Figures released by the SNP state that each person in Scotland could be £1,000 a year better off after a pro-independence vote driven primarily by tax on what they claim will be a 14% increase in oil & gas production between 2013 to 2018.



Independence: Scottish government view  
Each person in Scotland  
£1,000 a year better off out of UK

- Onshore tax receipts will be up £5bn by 2030
- 14% increase in oil & gas production 2013-18
- Tax receipts currently 14% higher in Scotland than UK



Independence: Treasury view  
Each person in Scotland  
£1,400 a year better off in UK

- 13% more tax needed to maintain independent Scotland public services, or...
- 11% cut in public services needed to keep current tax levels

A summary of how the economic arguments add up for each side

*Source: Scottish government/BBC*

*Note: Figs relate to a 20-year period starting from 2016-17 Source: Treasury/BBC*

However, the latest news from the Better Together campaign has seen the oil industry leader Sir Ian Wood state that for Scotland to pin its future hopes on oil alone would be a “huge gamble with our children’s future.”

Better Together is seeking to maintain the status quo of the UK and points to a stronger international presence, shared identity and economic security. The figures they use indicate that the Scottish population would be £1,400 a year better off by remaining a part of the UK.

The former UK Chancellor Alistair Darling has been front and centre of this side of the campaign he argued risking Scotland’s future on oil alone would be dangerous. He has said that being “so dependent on something that is so volatile” would tie the nation’s fortunes to the fluctuations of the oil price and he also questioned what would happen in the future

**“However, the nation votes, the oil industry will breathe a sigh of relief and hope to get down to business again.”**

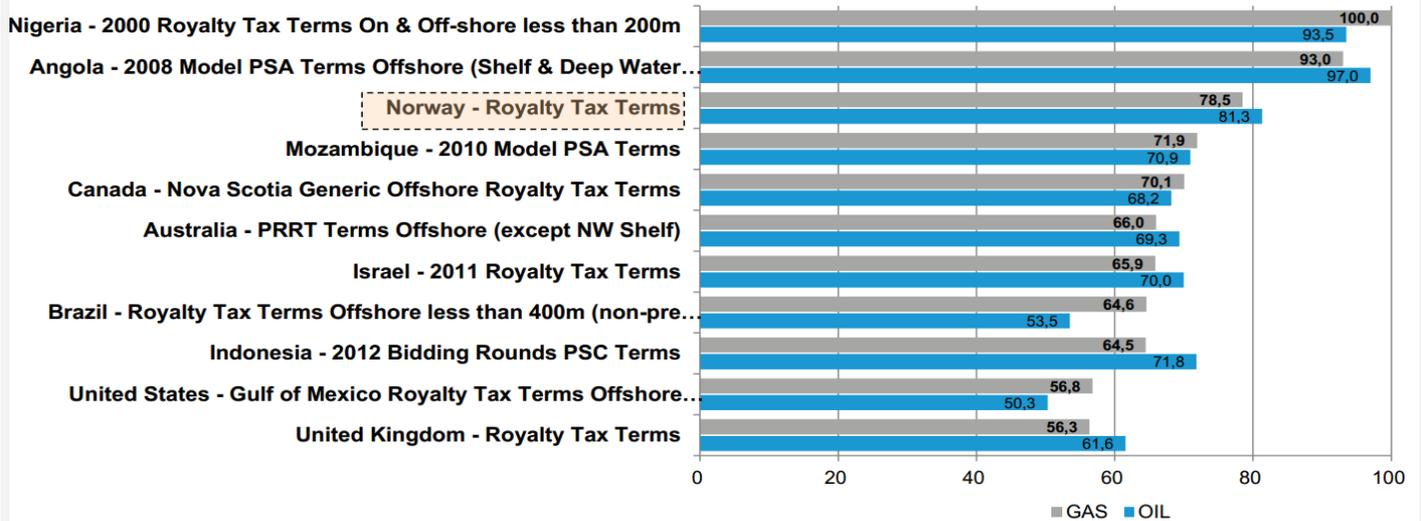
saying “once it’s gone it’s gone.” SNP Leader Alex Salmond on the other hand believes the oil offshore Scotland “cannot be regarded as anything other than a substantial asset.”

Alongside the oil debate is also the economic questions that have remained unanswered over tax, which currency an independent Scotland would use, how much of the national debt it would have to take on and whether it would be allowed to remain a member of institutions such as the European Union and NATO. These ongoing uncertainties have led to a period of stasis of investment in Scotland’s oil industry with many adopting a ‘wait and see’ approach.

However, the nation chooses to vote on the 18th, the industry will breathe a sigh of relief and hope that it can once again get down to business.

# Market Forecast

## Average Undiscounted State Take\* % for Oil and Gas Fields in the Peer Group



Royalty tax in Norway is high but not so large as to dissuade investors - source IHS

## How Attractive is Norway?

Norway is a nation famed for its stunning scenery, its beautiful people and its top class energy industry which draws finance and talent from across the globe. Now a recent study by IHS benchmarking Norway's investment attractiveness offers the chance to compare the nation against its peers in the oil business.

The intelligence firm has reviewed all aspects of the country's oil and gas industry and looks at a number of elements including fiscal factors, political risk, CO2 tax and policy as well as the view of experts.

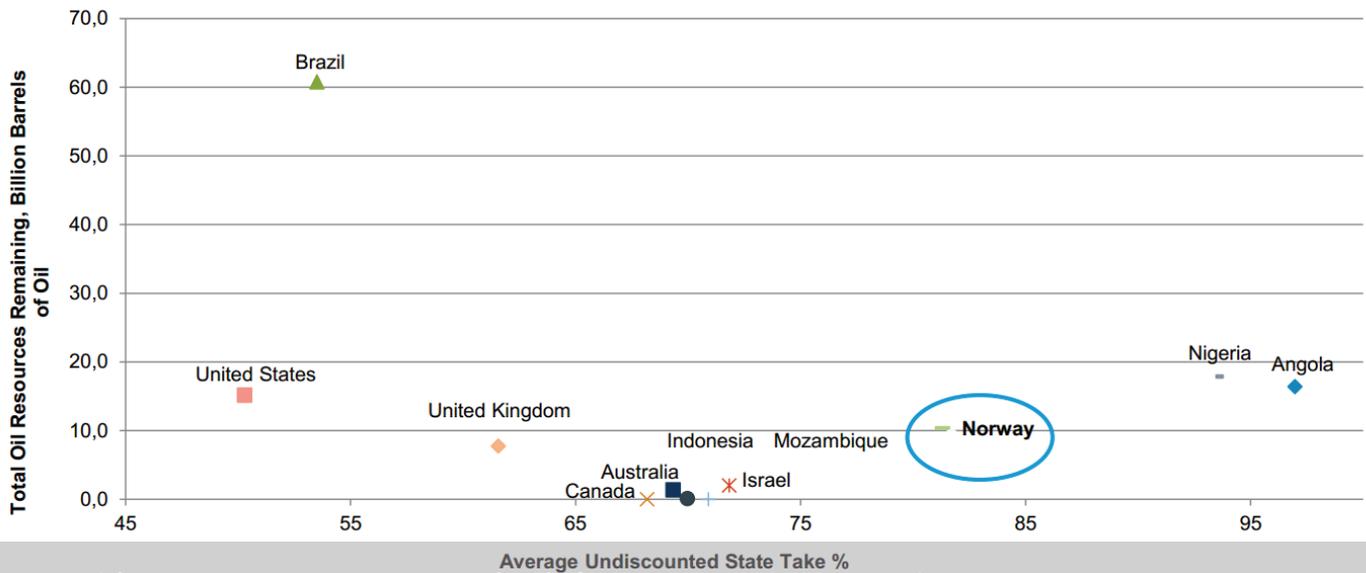
The study, which was carried out for the industry organi-

sation Norwegian Oil & Gas (Norog), is generally complimentary about the current situation and states "Norway is overall politically and operationally stable and compares favourably to the peer group."

IHS goes on to say "The centre-right coalition government that came to power in October 2013 is generally favourable towards increased oil and gas development and reductions in taxes and regulations."

However, the report questions whether the increasing influence of the Green party in Norway could change policies in the future. All sides in the country's political system are keen to be seen to be green to order to at-

## Undiscounted State Take for Offshore Oil Fields vs Remaining Offshore Oil Resources



Norway's large remaining resources put it ahead of most competitors - source IHS

tract this demographic to their cause.

Gro Brækken, director-general of Norog said: "The findings of this report sound a warning. The Labour Party is being closely watched by the world's oil and financial communities after decisions which depart from its traditional approach to petroleum policy."

She went on to state that Norway's current attractiveness for investment is not guaranteed and it there is the possibility it could slip down in rankings against its competitive peers if circumstances change.

She said: "The NCS has been put on the watch list, and the world's oil and financial communities are paying special attention to all political decisions. Further unclear political signals could make the NCS less attractive."

It is understood this may refer to the political push for electrification of the Johan Sverdrup project. Although there has also been the doubling of carbon tax last year which now denotes Norway as one of the most punitive

countries in this regards.

On the other hand controversial 2D seismic operations covering 5,600km around the environmentally sensitive Svalbard Islands were given the go ahead and the Norwegian Petroleum Directorate recently announced there completion despite objections from Green lobbyists.

What is for certain is that the current Conservative-led government in Norway will be keen to maintain the country's standing against the other countries in

the study which included the UK, USA, Australia, Canada, Brazil, Nigeria, Indonesia, Mozambique, Saudia Arabia, Russia and China.

The two sample slides in the illustrations for this article show that despite the proportionally large State Take for Oil & Gas Fields in Norway it is still managing to prove a popular investment spot. This is no doubt down to having stable and strong political, legal foundations as well as exceptional infrastructure and vast quantities of remaining offshore oil resources. ■

**"Norway has stable & strong political & legal foundations as well as exceptional infrastructure & vast resources ."**

# The Last Word



The EDT Hercules in Kristiansand with additional accommodation and crane fitted

**T**he ONS Conference and Exhibition has taken place in Stavanger from the 25th -28th of August and was attended by over 91,682 people including a number of Westshore Shipbrokers.

The extensive programme of events included presentations, discussions, networking opportunities and artistic elements including the painting of the hull of the vessel Ocean Art.

Key speakers included President and CEO of Statoil Helge Lund, Khalid A. Al-Falih CEO of Saudi Aramco and Elon Musk of Tesla Motors.

**“ONS took place in Stavanger with 91,682 people in attendance including Westshore Shipbrokers.”**

**T**he EDT Hercules is currently in Kristiansand after having a 70 ton Macgregor crane installed. The PX105 designed vessel has been converted to a Multipurpose PSV and has two working ROVs with hangars along with an observation ROV.

The vessel has additional accommodation added to the deck with an extra capacity for 50 personnel taking the total to 71. Earlier this year the vessel was

fixed on a three year charter agreement with Specialist Subsea Services (S3), an Aberdeen-based provider of ROVs and survey services to the oil and gas and renewable industries.

# The Market in August



The Normand Neptun & Blackford Dolphin outside Belfast, Northern Ireland - picture by Joakim Espeda

August saw the market explode, dayrates rocketed as AHTS tonnage on both sides of the water was sold out. All of the conditions for this have been in place for a number of weeks, tight supply of AHTS vessels in Norway and a steady stream of rig move requirements however previously just as the market heated up it would be doused down again by vessels returning to port or a lack of clashing in the rig move schedules.

It seemed for a while as though the AHTS market was one rig move away from taking off. This changed around the middle of August when the rig moves began to come through at the same time causing dayrates to quickly accelerate upwards in Norway and the UK before hitting a peak of NOK 1,900,000 when the Rem Gambler was chartered for the rig move of the Bredford Dolphin.

The tightness in the market has continued into the start of September with recent AHTS fixtures hitting 1.2 million NOK as we go to press. There continues to be a number of rig moves on the cards and we could see the pressure on the fleet continue for at least another week before potentially taking a step back.

However, with many vessels still out of the market on project work or overseas the supply-demand dynamic will remain on a knife edge particularly as we move into the time of year when the weather offshore has an increasing part to play in the market.

The PSV market has also been sold out in Norway for the past few weeks with vessels being fixed at NOK 25,000 level a number of times. In the UK things have been a little less tight due to the amount of availability but rates have also experienced a lift there.

		Average Monthly Rates (NOK)		
Vessel Type		aug.14	jul.14	aug.13
AHTS	> 25,000	864 141	461 405	321 919
	18,000 to 25,000	631 029	246 612	418 975
	< 18,000	660 979	182 138	218 831
PSV	> 900 m <sup>2</sup>	147 841	116 896	200 221
	< 899 m <sup>2</sup>	117 917	110 458	191 130

	aug.14	jul.14	aug.13	jul.13
# of spot supply fixtures	80	72	58	60
# of rig moves	19	16	19	20
# of AHTS fixtures	57	47	61	70
Average Utilization (%)				
AHTS	81,6 %	68,9 %	70,5 %	72,6 %
PSV	83,8 %	84,0 %	92,5 %	97,1 %